

MSCI ESG Selection P-Series Extra Indexes Methodology

Contents

1	Introduction	4
2	Constructing the Indexes	5
2.1	Applicable Universe	5
2.2	Determination of Combined ESG Score	5
2.2.1	ESG Rating Score	5
2.2.2	ESG Rating Trend Score.....	6
2.2.3	Combined ESG Score.....	6
2.2.4	Combined ESG Score Capping.....	6
2.3	Eligible Universe	7
2.3.1	Combined ESG Score Eligibility	7
2.3.2	Controversies Score Eligibility.....	7
2.3.3	Values and Climate Change-Based Exclusions	7
2.4	Index Construction.....	8
2.5	Treatment of Unrated Companies	9
3	Maintaining the Indexes	10
3.1	Annual Index Review	10
3.1.1	Annual Index Reconstitution: Ranking and Selection	10
3.1.1.1	Ranking of Eligible Securities.....	10
3.1.1.2	Selection of Eligible Securities.....	10
3.1.1.3	Final Universe.....	10
3.1.1.4	ESG Profile Check	11
3.2	Index Reviews.....	11
3.3	Monthly Review of Controversies and of Compliance with the UNGC	12
3.4	Ongoing Event-Related Maintenance	12
4	MSCI Solutions	14
4.1	MSCI ESG Ratings	14
4.2	MSCI Controversies	14
4.3	MSCI Business Involvement Screening Research.....	14
4.4	MSCI Climate Change Metrics	14
4.4.1	Fossil Fuels and Power Generation Metrics.....	15
Appendix I: Guidelines on Achieving the Target Sector Coverage of 50%		16

Appendix II: Controversial Business Involvement Criteria 17

Appendix III: ESG Profile Check..... 22

Appendix IV: Methodology Set 23

Appendix V: Changes to this Document..... 24

Contact Us 27

1 Introduction

The MSCI ESG Selection P-Series Extra Indexes (the ‘Indexes’)¹ are free float-adjusted market capitalization weighted indexes designed to represent the performance of companies that have a robust ESG profile as well as a positive trend in improving that profile. These indexes aim to target sector weights that reflect the relative sector weights of the underlying index to limit the systematic risk introduced by the ESG selection process. Overall, the indexes target coverage of 50% of the underlying MSCI parent indexes (the ‘Parent Indexes’).

¹ The Indexes are governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. Please refer to Appendix IV for more details.

2 Constructing the Indexes

The Indexes and their respective Parent Indexes are listed in the table below:

Index Name	Parent Index
MSCI World ESG Selection P-Series Extra Index	MSCI World Index
MSCI EM ESG Selection P-Series Extra Index	MSCI EM Index
MSCI USA ESG Selection P-Series Extra Index	MSCI USA Index
MSCI EMU ESG Selection P-Series Extra Index	MSCI EMU Index
MSCI Japan ESG Selection P-Series Extra Index	MSCI Japan Index
MSCI China ESG Selection P-Series Extra Index	MSCI China Index
MSCI Europe Mid Cap ESG Selection P-Series Extra Index	MSCI Europe Mid Cap Index
MSCI Europe Small Cap ESG Selection P-Series Extra Index	MSCI Europe Small Cap Index

2.1 Applicable Universe

The Indexes use company ratings and research provided by MSCI Solutions² for Index construction.

The Applicable Universe includes all existing constituents of the Parent Index.

2.2 Determination of Combined ESG Score

Each company in the applicable universe is assigned a Combined ESG score, which is calculated by taking into account the company's MSCI ESG Rating and its MSCI ESG Rating Trend.

2.2.1 ESG Rating Score

Using the MSCI ESG Rating, we group companies so as to assign an ESG Rating score to each company in the eligible universe as illustrated in the table below.

Rating Group	ESG Rating	ESG Category	ESG Rating Score
1	AAA	Leaders	2

See section 4 for further information regarding ESG and climate data used in the Indexes that MSCI Limited and MSCI Deutschland GmbH source from MSCI Solutions LLC, a separate subsidiary of MSCI Inc. MSCI Solutions is solely responsible for the creation, determination and management of such data as a provider to MSCI Limited and MSCI Deutschland GmbH. MSCI Limited and MSCI Deutschland GmbH are the benchmark administrators for the MSCI indexes.

2	AA		2
3	A	Neutral	1
4	BBB		1
5	BB		1
6	B	Laggards	0.5
7	CCC		0.5

2.2.2 ESG Rating Trend Score

The MSCI ESG Rating Trend shows the ESG rating change from the prior period/assessment to the current period/assessment: it is expressed as the number of levels between the current rating and the previous rating. The rating trend is positive for a ratings upgrade (for example, the company's ESG rating changed from BBB to AAA), negative for ratings downgrade (for example a company's ESG rating changed from AA to A) and zero for no change in the rating.

An 'ESG Rating Trend Score' is assigned to each company based on its ESG Rating Trend as per the following table:

Trend group	ESG Rating Trend*	ESG Rating Trend Score
1	Upgrade	1.25
2	Neutral	1
3	Downgrade	0.75

* ESG Rating Trend

- Upgrade – Company's latest ESG Rating has increased by at least one level compared to its previous assessment.
- Neutral – Company's latest ESG Rating has stayed the same as it's ESG Rating from previous assessment or MSCI Solutions has initiated coverage on the company.
- Downgrade – Company's latest ESG Rating has decreased by at least one level compared to its previous assessment.

2.2.3 Combined ESG Score

The Combined ESG Score is calculated for each company as follows:

Combined ESG Score = ESG Rating Score * ESG Trend Score.

2.2.4 Combined ESG Score Capping

In order to reduce reverse turnover in the index, the Combined ESG Score of a security is capped between the ESG Rating Scores corresponding to MSCI ESG Rating of 'AAA' (best rating) and 'CCC'

(worst rating). Capping ensures that all AAA and CCC companies have same Combined ESG Score irrespective of their ESG Rating Trend.

2.3 Eligible Universe

The eligible universe is constructed by excluding securities from the applicable universe based on following criteria:

2.3.1 Combined ESG Score Eligibility

- Securities with Combined ESG Score < 0.75
- If the security is also an existing constituent of the Index, then it is excluded if the security's Combined ESG Score < 0.625

2.3.2 Controversies Score Eligibility

- Securities with an Controversies Score <= 3
- If the security is an existing constituent of the Index, then it is excluded if constituent's Controversies Score = 0
- Securities that violate the following international norms:
 - UN Global Compact = FAIL
 - UN Guiding Principles on Business & Human Rights = FAIL
 - ILO Conventions (including broader set of labor rights issues) = FAIL

2.3.3 Values and Climate Change-Based Exclusions

Companies that are involved in specific businesses which have high potential for negative environmental and/or social impact are ineligible for inclusion in the index. The Indexes use MSCI Business Involvement Screening Research and MSCI Climate Change Metrics to identify companies that are involved in the following business activities. Please refer to Appendix II for more details on these criteria.

Values-based Exclusions

- Tobacco
- Controversial Weapons
- Nuclear Weapons
- Civilian Firearms
- Conventional Weapons
- Alcohol
- Adult Entertainment
- Gambling
- Genetically Modified Organisms
- Nuclear Power

Climate Change-based Exclusions

- Fossil Fuel Reserves Ownership
 - Fossil Fuel Reserves for Energy Application
 - Thermal Coal Reserves
- Extraction Production & Distribution
 - Thermal Coal Mining
 - Thermal Coal Distribution
 - Unconventional Oil and Gas Extraction
 - Conventional Oil and Gas Extraction
 - Uranium Mining
- Power Generation
 - Fossil Fuel- and Nuclear-based Power Generation
 - Thermal Coal-based Power Generation
- Oil and Gas Activities
 - Oil and Gas Refining
 - Oil and Gas Equipment and Services
 - Oil Activities
 - Gas Activities

2.4 Index Construction

The MSCI World ESG Selection P-Series Extra Index and the MSCI EM ESG Selection P-Series Extra Index are constructed at a regional level. Each regional MSCI ESG Selection P-Series Extra index ('regional Index') targets 50% of the free float-adjusted market capitalization within each Global Industry Classification Standard (GICS®) sector of the underlying MSCI Parent Index.

The following regional Indexes are aggregated to construct the MSCI World ESG Selection P-Series Extra Index.

Region	Parent Index
Developed Asia Pacific	MSCI Pacific Index
Developed Europe and Middle East	MSCI Europe & Middle East Index
Canada	MSCI Canada Index
USA	MSCI USA Index

The following regional Indexes are aggregated to construct the MSCI EM ESG Selection P-Series Extra Index.

Region	Parent Index
Emerging Asia	MSCI Emerging Markets Asia Index

Emerging Europe, Middle East & Africa	MSCI Emerging Markets Europe, Middle East & Africa Index
Emerging Latin America	MSCI Emerging Markets Latin America Index

The following MSCI Regional ESG Selection P-Series Extra Indexes are calculated from their corresponding Parent Indexes.

Region	Parent Index
China	MSCI China Index
Japan	MSCI Japan Index
Europe Small Cap	MSCI Europe Small Cap Index
Europe Mid Cap	MSCI Europe Mid Cap Index

2.5 Treatment of Unrated Companies

Companies not assessed by MSCI Solutions on data for any of the following MSCI sustainability and climate products are not eligible for inclusion in the Indexes.

- MSCI ESG Ratings
- MSCI Controversies
- MSCI Business Involvement Screening Research
- MSCI Climate Change Metrics

3 Maintaining the Indexes

3.1 Annual Index Review

The Indexes are reconstituted on an annual basis in May to coincide with the May Index Review of the Parent Index, and the changes are implemented at the end of May. In general, the pro forma indexes are announced nine business days before the effective date.

In general, MSCI uses MSCI Solutions data (including MSCI ESG Ratings, MSCI ESG Rating Trend, MSCI Controversies Scores and MSCI Business Involvement Screening Research) as of the end of the month preceding the Index Reviews for the rebalancing of the Index. For some securities, such data may not be published by MSCI Solutions by the end of the month preceding the Index Review. For such securities, MSCI will use ESG data published after the end of month, when available, for the rebalancing of the Index.

3.1.1 Annual Index Reconstitution: Ranking and Selection

At each annual index review, the composition of the index is reassessed in order to target 50% free float-adjusted cumulative market capitalization of each sector of their respective Parent Index.

3.1.1.1 Ranking of Eligible Securities

For each sector, eligible companies of the regional Parent Index as described in Section 2.3 are ranked based on the following criteria:

- Combined ESG Score
- Current index membership (existing constituents above non-constituents)
- Industry adjusted ESG scores
- Decreasing free float adjusted market capitalization

3.1.1.2 Selection of Eligible Securities

For each sector, eligible constituents of the regional Parent Index are then selected from the ranked universe in the following order until 50% coverage by cumulative free-float adjusted market capitalization target is reached:

- Securities in the top 35%
- Securities in the top 50% having a Combined ESG Score of 2 or 1.5
- Current index constituents in the top 65%
- Remaining securities in the eligible universe

Please see Appendix I for additional details on the ranking and selection rules.

3.1.1.3 Final Universe

All securities selected for inclusion are included at their free-float market capitalization adjusted weight and the security weights are capped at 15% to mitigate concentration risk. The excess weight

of the capped securities is distributed among the remaining constituents in proportion of their existing weights in the index.

3.1.1.4 ESG Profile Check

The final universe calculated in Section 3.1.1.3 is assessed against the minimum requirements detailed in the below table.

In case the final universe is found deficient on any of the minimum requirements, then the weights of the securities in the final universe are determined through an iterative process as described in Appendix III. The iterative downweighting process also maintains capping at 15% security level to mitigate concentration risk.

Minimum Requirements	Values
Carbon Emission Intensity relative to the Parent Index ³	Target Carbon Emission Intensity lower than the respective Parent Index
Weighted Average Board Independence relative to the Parent Index	Target Weighted Average Board Independence higher than the respective Parent Index

3.2 Index Reviews

The regional Indexes are also reviewed on a quarterly basis to coincide with the regular Index Reviews of the Parent Indexes. The changes are implemented at the end of February, August and November. The pro forma indexes are in general announced nine business days before the effective date.

At the Quarterly Index Reviews, existing constituents are deleted from the Index if they do not meet the eligibility criteria described in Section 2.3. Existing constituents that meet the eligibility criteria are retained in the index.

Additions, from the eligible securities as per section 2.3, are made only to those sectors where the current market capitalization coverage is less than 45%, until the 50% target is reached.

Market price movements may cause small deviations in the sector coverage between two Index Reviews. Therefore, in order to minimize turnover, a buffer of 10% is used on the target coverage of 50% to define under-representation.

At each Quarterly Index review, additionally, rules for ESG Profile Check as detailed in Section 2.1.1.4 are applied. The ESG Profile Check process also maintains capping at 15% security level to mitigate concentration risk.

³ The Carbon Emissions intensity is calculated using Scope 1+2 carbon emissions and annual sales of companies.

3.3 Monthly Review of Controversies and of Compliance with the UNGC

Index constituents are reviewed on a monthly basis for the involvement in controversies and for compliance with the United Nations Global Compact Principles⁴. Existing constituents will be deleted if they face controversies as defined as defined by MSCI Controversies Score of 0 ('Red flag' companies), or if they fail to comply with the UN Global Compact Principles. A Red Flag indicates an ongoing, Very Severe controversy implicating a company directly through its actions, products, or operations. Existing Index constituents with missing MSCI Controversies Scores are not deleted during Monthly Review of Controversies.

MSCI uses MSCI Controversies data as of the end of the month preceding the review (e.g., end of June data for the July monthly review). For some securities, such data may not be published by MSCI Solutions by the end of the month preceding the review. For such securities, MSCI will use ESG data published after the end of month, when available, for the monthly review of the Index.

The pro forma index is generally announced nine business days before the effective date.

3.4 Ongoing Event-Related Maintenance

The general treatment of corporate events in the Indexes aims to minimize turnover outside of Index Reviews.

The following section briefly describes the treatment of common corporate events within the MSCI ESG Selection P-Series Extra Indexes.

The methodology aims to appropriately represent an investor's participation in an event based on relevant deal terms and pre-event weighting of the index constituents that are involved, through an accounting of proportionate share inflows related to an event.

No new securities will be added (except where noted below) to the Indexes between Index Reviews. For cases where additions are noted below, securities will be added to the index only if added to the Parent Index.

There are no deletions from the Indexes between index reviews on account of a security becoming ineligible because of MSCI ESG Rating downgrade and/or decrease in MSCI Controversies Score and/or change in business involvement.

Parent Index deletions will be reflected simultaneously.

EVENT TYPE

EVENT DETAILS

New additions to the Parent Index

A new security added to the Parent Index (such as IPO and other early inclusions) will not be added to the MSCI ESG Selection P-Series Extra Indexes.

Spin-Offs

All securities created as a result of the spin-off of an existing Index constituent will not be added to the MSCI ESG Selection P-Series Extra Indexes at the time

⁴ The monthly review of controversies and compliance with the UNGC is applied within the Index effective October 2, 2023 and is not applicable historically prior to that date.

of event implementation. Reevaluation for addition in the Indexes will occur at the subsequent Index Review.

Merger/Acquisition

For M&A events, if an existing index constituent acquires another company (constituent/non-constituent) then the acquiring company will be maintained in the Index at the weighted average of the constraint factors taking into account the share and cash considerations involved in the deal.

If an existing Index constituent is acquired by a non-Index constituent, the existing constituent will be deleted from the Index and the acquiring non-constituent will not be added to the Index.

Changes in Security Characteristics

A security will continue to be an Index constituent if there are changes in characteristics (country, sector, size segment, etc.). Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review.

Further detail and illustration regarding specific treatment of corporate events relevant to this Index can be found in the MSCI Corporate Events Methodology book.

The MSCI Corporate Events methodology book is available at:
<https://www.msci.com/index-methodology>

4 MSCI Solutions

The Indexes are products of MSCI Inc. that utilize information such as company ratings and research produced and provided by MSCI Solutions LLC (MSCI Solutions), a subsidiary of MSCI Inc. In particular, the Index uses the following MSCI sustainability and climate products: MSCI ESG Ratings, MSCI Controversies, MSCI Business Involvement Screening Research, and MSCI Climate Change Metrics. MSCI Indexes are administered by MSCI Limited and MSCI Deutschland GmbH.

4.1 MSCI ESG Ratings

MSCI ESG Ratings aim to measure entities' management of environmental, social and governance risks and opportunities. MSCI ESG Ratings use a weighted average key issue calculation that is normalized by industry to arrive at an industry-adjusted ESG score (0-10), which is then translated to a seven-point scale from 'AAA' to 'CCC', indicating how an entity manages relevant key issues relative to industry peers.

The MSCI ESG Ratings methodology can be found at: <https://www.msci.com/legal/disclosures/esg-disclosures>.

4.2 MSCI Controversies

MSCI Controversies provide assessments of controversies concerning the potential negative environmental, social, and/or governance impact of company operations, products and services. The evaluation framework used in MSCI Controversies is designed to be consistent with international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact. MSCI Controversies Score falls on a 0-10 scale, with "0" being the most severe controversy.

The MSCI Controversies methodology can be found at: <https://www.msci.com/legal/disclosures/esg-disclosures>

4.3 MSCI Business Involvement Screening Research

MSCI Business Involvement Screening Research (BISR) aims to enable institutional investors to manage environmental, social and governance (ESG) standards and restrictions reliably and efficiently.

The MSCI Business Involvement Screening Research methodology can be found at: <https://www.msci.com/legal/disclosures/esg-disclosures>.

4.4 MSCI Climate Change Metrics

MSCI Climate Change Metrics provides climate data & tools to support institutional investors seeking to integrate climate risk & opportunities into their investment strategy and processes. This includes investors seeking to achieve a range of objectives, including measuring and reporting on climate risk exposure, implementing low carbon and fossil fuel-free strategies, alignment with temperature pathways and factoring climate change research into their risk management processes, in particular through climate scenario analysis for both transition and physical risks.

The dataset spans across the four dimensions of a climate strategy: transition risks, green opportunities, physical risks and 1.5° alignment.

For more details on MSCI Climate Change Metrics, please refer to:

<https://www.msci.com/legal/disclosures/climate-disclosures>

4.4.1 Fossil Fuels and Power Generation Metrics

MSCI Solutions identifies companies involved in fossil fuel-related assets and activities including fossil fuel reserves, resource extraction, power generation and generation capacity, revenue from such assets and activities and capital investments in such assets and activities. The metrics are based on disclosed activities, disclosed revenue and estimates of revenue that are extrapolated from company disclosures and eligible third-party sources (such as NGOs).

Appendix I: Guidelines on Achieving the Target Sector Coverage of 50%

The Indexes target 50% of the free-float adjusted market capitalization of each Global Industry Classification Standard (GICS®) sector of their respective Parent Index. The underlying principle in the construction of the index is to achieve sector coverage closest to 50%, while aiming to maintain index stability.

The following guidelines are used in achieving the target sector coverage of 50%:

- For each sector, the eligible constituents of the Parent Index are first ranked based on the company level Combined ESG Score and then by decreasing free float adjusted market capitalization.
- In case of two companies with the same Combined ESG Score, an existing index constituent is given preference to maintain index stability. Between two existing constituents with the same Combined ESG Score, the company with the higher industry adjusted ESG Score is given preference. For two existing index constituents with the same ESG score, the larger company by free-float adjusted market capitalization is given preference.
- The cumulative sector coverage (cumulative coverage of sector market cap weight) at each rank is calculated.
- In each sector, companies are selected as per the rules mentioned in section 2.1.1.2 until the cumulative sector coverage of the selected securities crosses 50% or there are no eligible securities left to be selected.
- MSCI defines the company that increases the cumulative sector coverage above 50% as the 'marginal company'.
- If the marginal company is a current Index constituent, then it is retained in the MSCI ESG Selection P-Series Extra Index even though it may result in cumulative sector coverage significantly higher compared to the 50% target. This is aimed at ensuring better index stability and lower turnover.
- If the marginal company is a non-index constituent, then the marginal company will be included in the Index only if the absolute difference between the resulting coverage of including the marginal company and the 50% target is lower than the absolute difference between the resulting coverage of not including the marginal company and the 50% target.
- The minimum cumulative sector coverage is set to 45%.
- The marginal company will be added to the Index if its non-inclusion would result in cumulative sector coverage of less than 45%.

Securities which are ineligible as per Section 2.3 will not be added to increase the sector coverage to 50%

Appendix II: Controversial Business Involvement Criteria

Companies whose activities meet the following values and climate change-based criteria, as evaluated by MSCI Solutions, are excluded from the MSCI ESG Selection P-Series Extra Indexes.

Values-based Exclusions Criteria:

- **Tobacco**
 - All companies classified as a “Producer”.
 - All companies deriving 5% or more aggregate revenue from the production, distribution, retail, supply and licensing of tobacco-related products.
- **Controversial Weapons**
 - All companies with any tie to Controversial Weapons (cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons), as defined by the methodology of the MSCI Global Ex-Controversial Weapons Indexes available at <https://www.msci.com/index-methodology>.
- **Nuclear Weapons**
 - All companies that manufacture nuclear warheads and/or whole nuclear missiles.
 - All companies that manufacture components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles).
 - All companies that manufacture or assemble delivery platforms that were developed or significantly modified for the exclusive delivery of nuclear weapons.
 - All companies that provide auxiliary services related to nuclear weapons.
 - All companies that manufacture components that were not developed or not significantly modified for exclusive use in nuclear weapons (warheads and missiles) but can be used in nuclear weapons.
 - All companies that manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons but have the capability to deliver nuclear weapons.
 - All companies that manufacture components for nuclear-exclusive delivery platforms.
 - All companies deriving any revenue from the production of nuclear weapons and components.
- **Civilian Firearms**
 - All companies classified as “Producer” of firearms and small arms ammunitions for civilian markets. It does not cover companies that cater to the military, government, and law enforcement markets.
 - All companies deriving 5% or more aggregate revenue from the production and distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use.
- **Conventional Weapons**

- All companies deriving 5% or more revenue from the production of conventional weapons and components.
- All companies deriving 5% or more aggregate revenue from weapons systems, components, and support systems and services.
- **Alcohol**
 - All companies deriving 5% or more revenue from the production of alcohol-related products.
 - All companies deriving 15% or more aggregate revenue from the production, distribution, retail and supply of alcohol-related products.
- **Adult Entertainment**
 - All companies deriving 5% or more revenue from the production of adult entertainment materials.
 - All companies deriving 15% or more aggregate revenue from the production, distribution and retail of adult entertainment materials.
- **Gambling**
 - All companies deriving 5% or more revenue from ownership of operation of gambling-related business activities.
 - All companies deriving 15% or more aggregate revenue from gambling-related business activities.
- **Genetically Modified Organisms (GMO)**
 - All companies deriving 5% or more revenue from activities like genetically modifying plants, such as seeds and crops, and other organisms intended for agricultural use or human consumption.
- **Nuclear Power**
 - All companies generating 5% or more of their total electricity from nuclear power in a given year.
 - All companies that have 5% or more of installed capacity attributed to nuclear sources in a given fiscal year.
 - All companies deriving 5% or more aggregate revenue from nuclear power activities including revenue from the ownership or operation of nuclear power plants, ownership or operation of active uranium mines, and supply of key nuclear-specific products or services to the nuclear power industry.

Climate Change-based Exclusions Criteria:

- **Fossil Fuel Reserves Ownership**
 - **Fossil Fuel Reserves for Energy Application**
 - All companies with evidence of owning proven & probable coal reserves and/or proven oil and natural gas reserves used for energy purposes, as defined by the methodology of

the MSCI Global Ex Fossil Fuels Indexes available at <https://www.msci.com/index-methodology>.

- **Thermal Coal Reserves**
 - All companies that own thermal coal reserves
- **Extraction, Production & Distribution**
 - **Thermal Coal Mining**
 - All companies deriving any revenue (either reported or estimated) from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It does not cover revenue from metallurgical coal; coal mined for internal power generation (e.g. in the case of vertically integrated power producers); intra-company sales of mined thermal coal; and revenue from coal trading.
 - **Thermal Coal Distribution**
 - All companies with evidence of thermal coal distribution or transport involvement. This includes transport of thermal coal by road, rail, shipping or air, and physical trading of thermal coal. It does not include involvement in storage of thermal coal, or involvement in metallurgical coal-related activities.
 - **Unconventional Oil & Gas Extraction**
 - All companies deriving any revenue (either reported or estimated) from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane. It does not cover all types of conventional oil and gas production including Arctic onshore/offshore, deep water, shallow water and other onshore/offshore.
 - **Conventional Oil & Gas Extraction**
 - All companies deriving any revenue (either reported or estimated) from the production of conventional oil and gas including Arctic onshore/ offshore, deep water, shallow water, and other onshore/offshore oil and gas. It does not cover revenue from unconventional oil and gas production (oil sands, shale oil, shale gas).
 - **Uranium Mining**
 - All companies deriving any revenue (either reported or estimated) from the mining of uranium.
- **Power Generation**
 - **Fossil Fuel- and Nuclear-based Power Generation**
 - All companies deriving 5% or more aggregated revenue (either reported or estimated) from thermal coal-, liquid fuel-, natural gas-, and nuclear- based power generation.
 - **Thermal Coal-based Power Generation**
 - All companies deriving any revenue (either reported or estimated) from thermal coal-based power generation.
 - All companies that are deriving 50% or more power from thermal coal.

- **Oil and Gas Activities**
 - **Oil and Gas Refining**
 - All companies deriving any revenue (either reported or estimated) from refining oil and gas.
 - **Oil and Gas Equipment and Services**
 - All companies deriving 5% or more revenue (either reported or estimated) from equipment and services for the exploration and production of oil and natural gas. It covers revenues from oil and gas exploration services, related equipment manufacturing, seismic surveys, engineering services and heavy construction related to oil and gas exploration activities. It does not cover revenues from extraction & production.
 - **Oil Activities³**
 - All companies deriving 10% or more aggregate revenue (either reported or estimated) from oil-related activities, including:
 - Extraction and production of oil and natural gas liquids
 - Refining of oil fuels
 - Oil and oil products pipelines or natural gas liquids pipelines
 - Transportation of oil and oil products
 - Distribution of oil and related products
 - Exploration as a service to the oil and natural gas industries
 - Drilling wells as a service to the exploration and production of oil and natural gas
 - **Gas Activities⁴**
 - All companies deriving 50% or more aggregate revenue from gas related activities, including:

³ The combined oil & gas screen is applied for companies where the disaggregated oil/gas revenue data underlying the separate oil and gas screens is not available or is not consistent.

The combined oil & gas screen excludes all companies deriving 10% or more aggregate revenue from oil and gas related activities, including distribution / retail, equipment and services, extraction and production, pipelines and transportation and refining but excluding biofuel production and sales and trading activities.

For further details, please refer to Appendix II of the MSCI EU CTB/PAB Index Framework at: <https://www.msci.com/index/methodology/latest/EUCTBPABIndexFramework>.

⁴ The combined oil & gas screen is applied for companies where the disaggregated oil/gas revenue data underlying the separate oil and gas screens is not available or is not consistent.

The combined oil & gas screen excludes all companies deriving 10% or more aggregate revenue from oil and gas related activities, including distribution / retail, equipment and services, extraction and production, pipelines and transportation and refining but excluding biofuel production and sales and trading activities.

For further details, please refer to Appendix II of the MSCI EU CTB/PAB Index Framework at: <https://www.msci.com/index/methodology/latest/EUCTBPABIndexFramework>.

- Extraction and production of natural gas
- Processing of natural gas fuels
- Natural gas pipelines
- Transportation of natural gas
- Distribution of gas and related products
- Exploration as a service to the oil and natural gas industries
- Drilling wells as a service to the exploration and production of oil and natural gas

Appendix III: ESG Profile Check

The ESG Profile Check is applied on the securities of the final universe with the objective of meeting all the minimum requirements detailed in the table in Section 3.1.1.4.

Starting with the Final Universe, an iterative down weighting process is applied in order to meet with the minimum requirements for the Indexes. The iterative down weighting stops when all the requirements defined in Section 3.1.1.4 are met. The steps followed in the iterative downweighting are outlined below:

- Step 1. Check whether all targets for the Index are met. If all targets are met, then no downweighting is required.
- Step 2. Identify stocks that are either in bottom quartile by Board Independence (%) (i.e. with lowest scores) or are in the top quartile by Carbon Emissions Intensity (i.e. with highest carbon intensity). These stocks form the “downweighting group”. Rest of the stocks from the Final Universe form the “upweighting group”.
- Step 3. Select the worst stock in the “downweighting group” and reduce its weight in steps of 25% (free weight) and distribute the free weight among the stocks of the “upweighting group” in proportion of their weight at Step 2. A stock cannot be down weighted by more than 75% of its weight in Step 2. Stock weight in ‘upweighting group’ is capped at 15%.
- Step 4. If the targets are still not met, then select the next worst stock and repeat Step 3.
- Step 5. Relaxation Steps:
 - a. If all stocks in the “downweighting group” have been down weighted by 75% and targets are still not met, then repeat Step 3 and 4 by down weighting worst stock by 90% of its weight from Step 2.
 - b. If targets are not met at Step 5a, then repeat Step 3 and 4 by excluding the worst stock – down weighting the worst stock by 100%.

Worst Stocks:

- a. In Step 1, if targets are not met on Carbon Emissions Intensity, then the worst stock is the stock with largest Carbon Emissions Intensity.
- b. If in Step 1, the target on Carbon Emissions Intensity is met, and the target on Weighted Average Board Independence is not met, then the worst stock is the stock with lowest Board Independence (%).

Appendix IV: Methodology Set

The Indexes are governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document as mentioned below:

- Description of methodology set – <https://www.msci.com/index/methodology/latest/ReadMe>
- MSCI Corporate Events Methodology – <https://www.msci.com/index/methodology/latest/CE>
- MSCI Fundamental Data Methodology – <https://www.msci.com/index/methodology/latest/FundData>
- MSCI Index Calculation Methodology – <https://www.msci.com/index/methodology/latest/IndexCalc>
- MSCI Index Glossary of Terms – <https://www.msci.com/index/methodology/latest/IndexGlossary>
- MSCI Index Policies – <https://www.msci.com/index/methodology/latest/IndexPolicy>
- MSCI Global Industry Classification Standard (GICS) Methodology – <https://www.msci.com/index/methodology/latest/GICS>
- MSCI Global Investable Market Indexes Methodology – <https://www.msci.com/index/methodology/latest/GIMI>
- MSCI Global ex Controversial Weapons Indexes Methodology – <https://www.msci.com/index/methodology/latest/XCW>
- MSCI Global Fossil Fuels Exclusion Indexes Methodology – <https://www.msci.com/index/methodology/latest/XFF>
- MSCI Selection Indexes Methodology – <https://www.msci.com/index/methodology/latest/ESG>
- ESG Factors In Methodology*

The Methodology Set for the Indexes can also be accessed from MSCI’s webpage <https://www.msci.com/index-methodology> in the section ‘Search Methodology by Index Name or Index Code’.

* ‘ESG Factors in Methodology’ contains the list of environmental, social, and governance factors considered, and how they are applied in the methodology (e.g., selection, weighting or exclusion). It can be accessed in the Methodology Set as described above.

Appendix V: Changes to this Document

The following sections have been modified as of November 2017:

Appendix 2: Controversial Business Screening Criteria

- Updated the controversial business screening criteria pertaining to Controversial Weapons

The following sections have been modified as of November 2020:

Section 3.3.3: Values and Climate Change-Based Exclusions

- Added screens for 'Fossil Fuel Extraction' and 'Thermal Coal Power'

Section 4.1.1.1: Ranking of Eligible Securities

- Updated to clarify the application of the methodology to the regional Parent Index

Section 4.1.1.2: Selection of Eligible Securities

- Updated to clarify the application of the methodology to each sector of the regional Parent Index

Appendix 2: Controversial Business Involvement Criteria

- Updated the controversial business involvement criteria for each activity according to the framework designed by ESG Research
- Added screens for 'Fossil Fuel Extraction' and 'Thermal Coal Power'

The following sections have been modified as of February 2021:

Section 3.3.3: Values and Climate Change-Based Exclusions

- Updated screens for controversial business involvement activities

Appendix 2: Controversial Business Involvement Criteria

- Updated the controversial business involvement criteria for each activity according to the framework designed by ESG Research
- Updated with new screens and their definitions

Appendix 3: ESG Profile Check

- Added the section on ESG Profile Checks to meet Carbon Emissions Intensity and Weighted Average Board Independence targets.

The following sections have been modified as of June 2021:

- Added parameters for the construction of the MSCI China Select ESG Rating And Trend Leaders Index, MSCI Japan Select ESG Rating and Trend Leaders Index, MSCI Europe Small Cap Select ESG Rating and Trend Leaders Index and the MSCI Europe Mid Cap Select ESG Rating and Trend Leaders Index

The following sections have been modified as of Mar 2022:

- Appendix 2 – Updated to add exclusions based on thermal coal power and thermal coal reserves

The following sections have been modified as of February 2023:

- Methodology book was updated to reflect the transition of the MSCI Global Investable Market Indexes (GIMI) to Quarterly Comprehensive Index Reviews.
- All references to “Semi-Annual Index Reviews” and “Quarterly Index Reviews” of the MSCI GIMI were replaced with “Index Reviews”

The following sections have been modified as of September 2023:

Section 3: Index Maintenance

- The monthly review of controversies and compliance with UNGC is applied within the index effective October 2, 2023, and is not applicable historically prior to that date

The following sections have been modified as of May 2024

Section 2.5: Treatment of Unrated Companies

- New section detailing the treatment of companies with ratings and research not available from MSCI Solutions

Section 3.3: Monthly Review of controversies and of Compliance with the UNGC

- Missing data treatment for Monthly Review of Controversies clarified in Section

Section 4: MSCI Solutions

- Updated the descriptions of MSCI sustainability and climate products.

Appendix II: Controversial Business Involvement Criteria

- Updated the exclusion criteria for the Thermal Coal Power Generation screen.

Appendix IV: Methodology Set

- Added details on the Methodology Set for the Indexes

The following section has been modified as of December 2024

Section 4.4: MSCI Climate Change Metrics

- Added a sub-section under Climate Change Metrics to provide additional details on Fossil Fuels related activities.

The following sections have been modified as of May 2025

- Effective June 2 2025, the MSCI Select ESG Rating and Trend Leaders Indexes Methodology Indexes will be renamed to MSCI ESG Selection P-Series Extra Indexes Methodology.

Section 2.3.3 Values and Climate Change-Based Exclusions

- Added new screening criteria for Oil & Gas value chain.

Section 2.5 Treatment of Unrated Companies

- Added the treatment of companies when data on Business Involvement Screening Research or Climate Change Metrics research is not available from MSCI Solutions

Appendix II: Controversial Business Involvement Criteria

- Added description for the new screening criteria for Thermal Coal Distribution, Oil Activities and Gas Activities.

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